

Strengthening financial resilience: the role of ADB

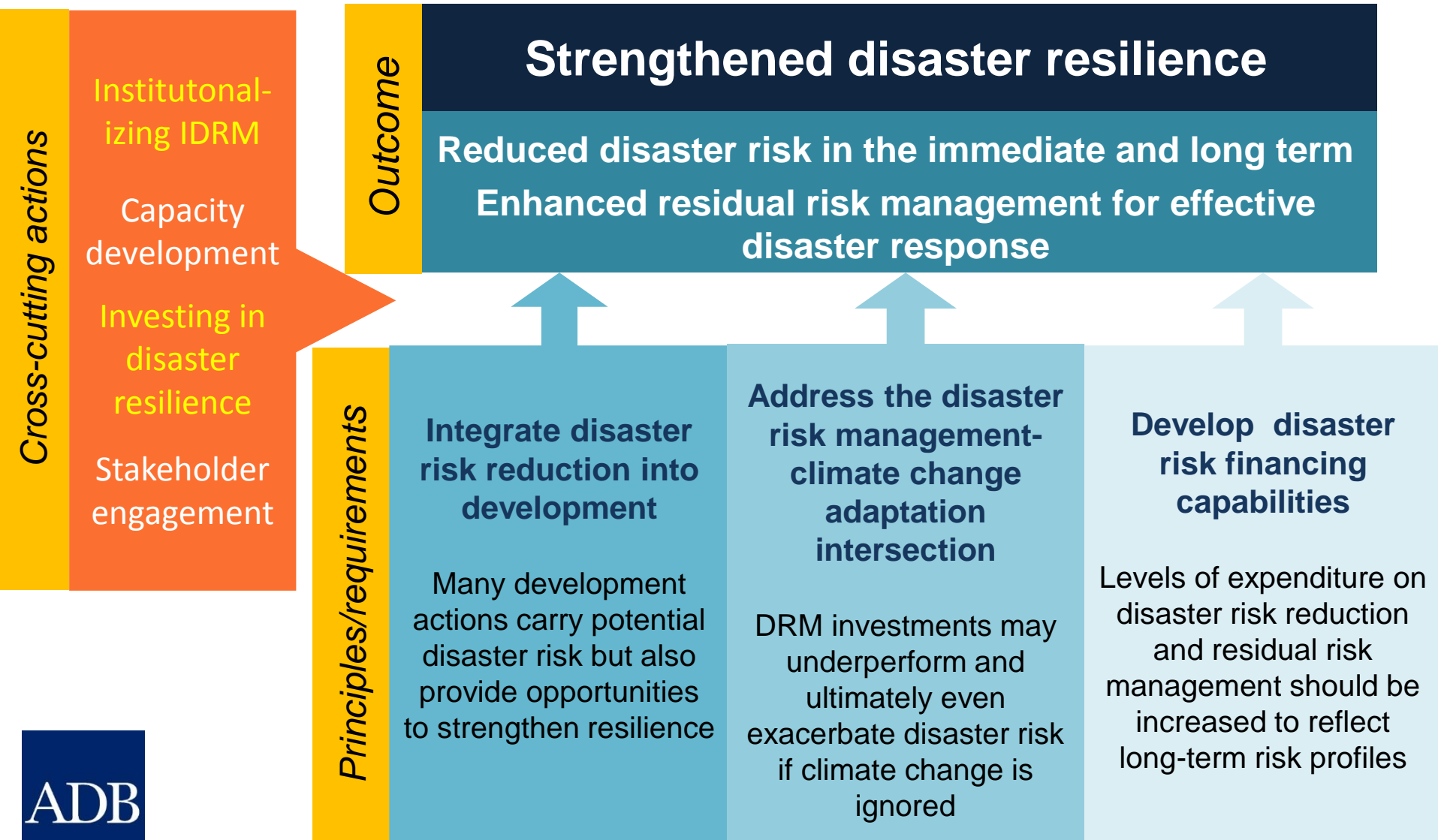
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ADB's Integrated Disaster Risk Management Approach



Current disaster risk financing realities

- Expenditure on disaster reduction is limited as more pressing demands on public resources take priority

For every \$100 spent on development aid in ADB's DMCs, just 60 cents was invested on disaster risk reduction between 1991 and 2000

- Governments typically have ad hoc financing arrangements for disaster response, relying heavily on post-disaster budget reallocations
- Post-disaster aid covers 4% of total losses on average
- There is extremely low penetration of market-based risk transfer instruments

Late and inadequate flows of post-disaster funding delay reconstruction and knock prior development plans off course

Planning for disaster response: ADB's ongoing and potential activities

Goal: Strengthened financial resilience and incentivized risk reduction

1. Strengthening the enabling environment

- Analysis of demand and supply constraints to the development of enhanced DRF arrangements

Supply	Demand
Data limitations Legal and regulatory gaps Capital requirement deficiencies	Affordability Trust Financial literacy

- Assessments of disaster risk, the fiscal burden posed by disasters and funding gaps (*risk modelers, government*)
- Enhancing technical disaster risk financing (DRF) knowledge and understanding (*government, regulators, business, individuals... and insurance industry*)

Planning for disaster response: ADB's ongoing and potential activities

2. Development and implementation of solutions

- Comprehensive DRF strategies (government)
- Pilot projects – e.g., city governments, crops (government, insurance companies, microfinance institutions)
- Contingent disaster loans (government)
- Establishment of risk pools and innovative risk transfer vehicles

Key takeaways

- Strong partnerships with other stakeholders are critical – no single grouping can do it alone
- Always keep risk reduction objectives in sight